



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

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FISCAL YEAR 2022 FIRST QUARTER FINANCIAL REVIEW

FIRST QUARTER RESULTS

Fiscal Year 2022's (FY22) first quarter saw a year-over-year increase of \$534 million in General Funds revenues due to strong receipts from its corporate income and sales taxes. First quarter expenditures increased by \$803 million compared to FY21 first quarter expenditures.

Detailed first quarter and year-to-date information is presented on the following pages.

FIRST QUARTER REPORT HIGHLIGHT: CORPORATE INCOME REACHES RECORD HIGHS

Corporate income tax receipts have fared well over the first quarter of the fiscal year due apparently to strong corporate profits. Corporate profits represent the portion of total income earned from current production by corporations and have mostly tracked to rising household incomes and pandemic-fueled personal consumption of durable goods. The State enacted several relevant corporate tax changes in P.A. 102-0016, signed into law on June 17, 2021, that will account for growth in the source later in the fiscal year. The changes found in P.A. 102-0016 may have resulted in increased receipts in the first quarter if taxpayers anticipated a liability increase for tax year 2021 due to the changes and increased their estimated tax payments as a result.

ILLINOIS ECONOMIC INDICATORS

The State's unemployment rate continued its decline from its historical high of 16.5% in April 2020 to a current rate of 6.8% (seasonally adjusted) in September 2021. Nonfarm payroll employment has grown from its pandemic lows, but job openings continue to go unfulfilled as the civilian labor force struggles to find its footing. September added 9,300 new jobs based on preliminary data by the U.S. Bureau of Labor Statistics and the Illinois Department of Employment Security. A strong September follows a strong upward revision for August, which now saw 7,400 jobs (up from 2,500) added to the state's economy. The three sectors with the largest employment gain were Leisure and Hospitality, Trade, Transportation and Utility, and Construction. The State's manufacturing, financial activities, and professional and business services each saw declines.

The global supply chain has been stymied by a resurgence of COVID-19 cases creating sudden closures in some of largest economies around the world leading to production delays. In Illinois, the disruption also may be felt in trucking and warehousing industries, potentially adding more congestion to the State's supply chain. With bottlenecks emerging all over, the cost of producing and getting finished products to their final destinations is increasing. The potential impact could mean reduced economic activity and unmet consumer demand. This could have a negative impact on sales tax revenues and could spill over to other parts of the State's economy, most notably the labor market.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW				
First Quarter and Year-to-Date Review				
(\$ in millions)				
	First Quarter		Year-to-date	
	FY21 Actual	FY22 Actual	FY21 Actual	FY22 Actual
Beginning Backlog at Comptroller	\$ (4,856)	\$ (2,204)	\$ (4,856)	\$ (2,204)
Beginning Cash Balance	\$ 531	\$ 975	\$ 531	\$ 975
Revenues				
Individual Income Tax	\$ 5,468	\$ 4,678	\$ 5,468	\$ 4,678
Corporate Income Tax	870	1,073	870	1,073
Sales Tax	2,246	2,627	2,246	2,627
Other Sources/Transfers In	1,350	1,483	1,350	1,483
State Source Revenues	\$ 9,934	\$ 9,860	\$ 9,934	\$ 9,861
Federal Sources	787	1,395	787	1,395
Investment Borrowing	0	0	0	0
Total Revenues	\$ 10,721	\$ 11,255	\$ 10,721	\$ 11,255
Expenditures				
Current Year Vouchers	\$ 8,386	\$ 9,189	\$ 8,386	\$ 9,189
Prior Year Vouchers	1,479	1,904	1,479	1,904
Subtotal, Vouchers Presented	\$ 9,865	\$ 11,093	\$ 9,865	\$ 11,093
Posted Transfers Out	241	269	241	269
Transfer to GO Bond Debt Service Fund	627	650	627	650
Transfer to Repay Interfund Borrowing	12	1	12	1
Investment Borrowing Repayments	402	0	402	0
Short Term Borrowing Repayments	0	0	0	0
Prior Year Adjustments	(9)	5	(9)	5
Total Expenditures	\$ 11,138	\$ 12,018	\$ 11,139	\$ 12,018
End of Quarter Cash Balance	\$ 862	\$ 937	\$ 862	\$ 937
End of Quarter Backlog at Comptroller	\$ (5,604)	\$ (2,928)	\$ (5,604)	\$ (2,928)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

GENERAL FUNDS CASH FLOW		
Comparison: Projected versus Actual		
(\$ in millions)		
	First Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 975	\$ 975
Receipts	\$ 9,807	\$ 11,256
IIT	4,449	4,678
CIT	732	1,073
Sales	2,359	2,627
Other Sources	723	706
Transfers In	640	777
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	904	1,395
Certificate Proceeds	-	-
Cash Expenditures	(9,935)	(11,294)
Short-Term Borrowing Repayment	(200)	-
Cash Balance, Ending	\$ 847	\$ 937

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES First Quarter and Year-to-Date Review

(\$ in millions)

	First Quarter		Change: FY21 Actual to FY22 Actual		Year-to-Date		Change: FY21 Actual to FY22 Actual	
	FY21 Actual	FY22 Actual	Dollar Change	Percent Change	FY21 Actual	FY22 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,397	\$ 5,487	\$ (910)	(14.2%)	\$ 6,397	\$ 5,486	\$ (911)	(14.2%)
Income Tax Refund Fund	(576)	(508)	68	(11.9%)	(576)	(508)	68	(11.9%)
Local Government Distributive Fund Deposit	(353)	(302)	51	(14.5%)	(353)	(302)	51	(14.5%)
Net Individual Income Tax	\$ 5,468	\$ 4,678	\$ (790)	(14.4%)	\$ 5,468	\$ 4,678	\$ (790)	(14.4%)
Gross Corporate Income	\$ 1,086	\$ 1,355	\$ 269	24.8%	\$ 1,086	\$ 1,355	\$ 269	24.8%
Income Tax Refund Fund	(152)	(203)	(51)	33.8%	(152)	(203)	(51)	33.8%
Local Government Distributive Fund Deposit	(64)	(79)	(15)	23.3%	(64)	(79)	(15)	23.3%
Net Corporate Income Tax	\$ 870	\$ 1,073	\$ 203	23.3%	\$ 870	\$ 1,073	\$ 203	23.3%
Gross Sales Tax	\$ 2,295	\$ 2,699	\$ 404	17.6%	\$ 2,295	\$ 2,699	\$ 404	17.6%
Downstate Public Trans/Public Trans Deposits	(49)	(72)	(23)	46.9%	(49)	(72)	(23)	46.9%
Net Sales Tax	2,246	2,627	381	17.0%	2,246	2,627	381	17.0%
Public Utility	175	176	1	0.6%	175	176	1	0.6%
Cigarette	79	71	(8)	(10.1%)	79	71	(8)	(10.1%)
Inheritance	136	157	21	15.4%	136	157	21	15.4%
Liquor	46	51	5	10.9%	46	51	5	10.9%
Insurance	184	112	(72)	(39.1%)	184	112	(72)	(39.1%)
Corporate Franchise	86	64	(22)	(25.6%)	86	64	(22)	(25.6%)
Investment Income	28	2	(26)	(92.9%)	28	2	(26)	(92.9%)
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	71	72	1	1.4%	71	72	1	1.4%
TOTAL STATE REVENUES	\$ 9,389	\$ 9,083	\$ (306)	(3.3%)	\$ 9,389	\$ 9,083	\$ (306)	(3.3%)
Federal Revenues	\$ 787	\$ 1,395	\$ 608	77.3%	\$ 787	\$ 1,395	\$ 608	77.3%
Transfers In	\$ 545	\$ 777	\$ 232	42.6%	\$ 545	\$ 777	\$ 232	42.6%
Lottery	165	210	45	27.3%	165	210	45	27.3%
Gaming/Gaming Taxes	0	33	33	0.0%	0	33	33	100.0%
Adult-Use Cannabis	13	25	12	92.3%	13	25	12	92.3%
Interfund Borrowing	0	0	0	0.0%	0	0	0	0.0%
Other	367	509	142	38.7%	367	509	142	38.7%
TOTAL REVENUES	\$ 10,721	\$ 11,255	\$ 534	5.0%	\$ 10,721	\$ 11,255	\$ 534	5.0%

Source: Illinois Office of the Comptroller

Income Taxes: FY22 year-to-date (YTD) Individual Income Tax net receipts decreased by \$790 million, or 14.4% from FY21 due to the tax year 2019 filing deadline being moved from April 15, 2020 to July 15, 2020. As a result, approximately \$1 billion individual income tax receipts and \$300 million in corporate income tax receipts were shifted from FY20 to FY21. FY22 YTD Corporate Income Tax (CIT) net receipts increased by \$203 million, or 23.3%, from the FY21 level. \$381 million of income taxes were directly deposited into the Local Government Distributive Fund through the first quarter of FY22.

Sales Taxes: FY22 YTD Sales Tax net receipts increased by \$381 million, or 17.0%, from the FY21 YTD level.

Federal Revenues: FY22 YTD Federal Revenues increased by \$608 million, or 77.3%, compared to the FY21 YTD level due to federal matches on reimbursable spending.

Transfers In: FY22 YTD Transfers In increased by \$232 million, or 42.6%, compared to the FY21 YTD level. This increase is due in part to \$33 million in transfers from the State Gaming Fund, up from \$0 in the first quarter of FY21 and \$210 million from the State Lottery Fund, up \$45 million, or 27.3% from the FY21 YTD level.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY22. Total State Revenues (not including Transfers In) were \$ 837 million, or 10.2%, above the June 2021 budgeted level. Federal revenues were \$ 341 million, or 32.4%, above the June 2021 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY22 YTD Budgeted*	FY22 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 5,219	\$ 5,487	\$ 268	5.1%
Income Tax Refund Fund	(483)	(508)	(25)	5.2%
Local Government Distributive Fund Deposit	(287)	(302)	(15)	5.2%
Net Individual Income Tax	\$ 4,449	\$ 4,678	\$ 229	5.1%
Gross Corporate Income	\$ 925	\$ 1,355	\$ 430	46.5%
Income Tax Refund Fund	(139)	(203)	(64)	46.0%
Local Government Distributive Fund Deposit	(54)	(79)	(25)	46.3%
Net Corporate Income Tax	\$ 732	\$ 1,073	\$ 341	46.6%
Gross Sales Tax	\$ 2,421	\$ 2,699	\$ 278	11.5%
Downstate Public Trans/Public Trans Deposits	(62)	(72)	(10)	16.1%
Net Sales Tax	\$ 2,359	\$ 2,627	\$ 268	11.4%
Public Utility	170	176	6	3.5%
Cigarette	74	71	(3)	(4.1%)
Inheritance	86	157	71	82.6%
Liquor	47	51	4	8.5%
Insurance	157	112	(45)	(28.7%)
Corporate Franchise	57	64	7	12.3%
Investment Income	20	2	(18)	(90.0%)
Cook County IGT	0	0	0	0.0%
Other	95	72	(23)	(24.2%)
TOTAL STATE REVENUES	\$ 8,246	\$ 9,083	\$ 837	10.2%
Federal Revenues	\$ 1,054	\$ 1,395	\$ 341	32.4%
Transfers In	\$ 641	\$ 777	\$ 136	21.2%
Lottery	165	210	45	27.3%
Gaming/Gaming Taxes	28	33	5	17.9%
Adult-Use Cannabis	26	25	(1)	(3.8%)
Interfund Borrowing	0	0	0	0.0%
Other	422	509	87	20.6%
TOTAL REVENUES	\$ 9,940	\$ 11,255	\$ 1,315	13.2%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled in June 2021.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$229 million, or 5.1%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$341 million, or 46.6%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the first quarter were \$268 million, or 11.4%, higher than the budgeted levels.

Transfers In: Transfers In through the first quarter were \$136 million, or 21.2%, higher than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY22. The table below reflects anticipated revenues to be received compared against year-to-date collections.

PROJECTED GENERAL FUNDS REVENUES			
Year-to-Date Actuals versus Annual Forecast			
(\$ in millions)			
	FY22 YTD Actual	FY22 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 11,255	\$ 42,368	\$ 31,113
IIT	4,678	20,792	16,114
CIT	1,073	3,293	2,220
Sales	2,627	9,255	6,628
Other Sources	705	3,128	2,423
Transfers In	777	1,697	920
Federal Sources	1,395	4,203	2,808
Total State Revenues	11,255	42,368	31,113

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Fiscal year 2022 forecast was made in June 2021 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the first quarter of FY22, total State General Funds revenues have performed greater than the annual revenue forecast. The four main sources of General Funds revenues (Individual and Corporate Income Taxes, Sales Tax, and Federal Revenues), which account for 88% of total revenues, have outperformed their forecasted amounts by a considerable margin. National and state major economic indicators are also trending towards growth, signaling a positive future outlook for sources tied to economic activity. Due to strong revenue performance to date and a positive economic outlook, OMB anticipates updated this forecast in the Illinois Economic and Fiscal Policy Report released November 9, 2021. Forecasts can be recalculated if major changes to the national state and economic conditions occur or if actual revenue performance does not meet current expectations.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY21 and FY22 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY21 totaled \$9,189 million, an increase of \$803 million, or 9.6%, from the FY21 level.

GENERAL FUNDS EXPENDITURES				
Fourth Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	First Quarter		Year-to-Date	
	FY21 Actual Spending	FY22 Actual Spending	FY21 Actual Spending	FY22 Actual Spending
Constitutional Officers ¹	\$ 81	\$ 85	\$ 81	\$ 85
DHFS	1,407	1,979	1,407	1,979
ISBE	1,565	1,681	1,565	1,681
DHS	862	774	862	774
Higher Education	592	531	592	531
SERS	382	401	382	401
TRS	1,319	1,448	1,319	1,448
SURS	491	469	491	469
Corrections	244	222	244	222
CMS	688	830	688	830
DCFS	219	209	219	209
Aging	146	167	146	167
ISP	62	58	62	58
Revenue	10	10	10	10
DPH	20	21	20	21
DNR	10	6	10	6
DCEO	1	2	1	2
All Others	287	298	287	298
Agency Totals	\$ 8,386	\$ 9,189	\$ 8,386	\$ 9,189

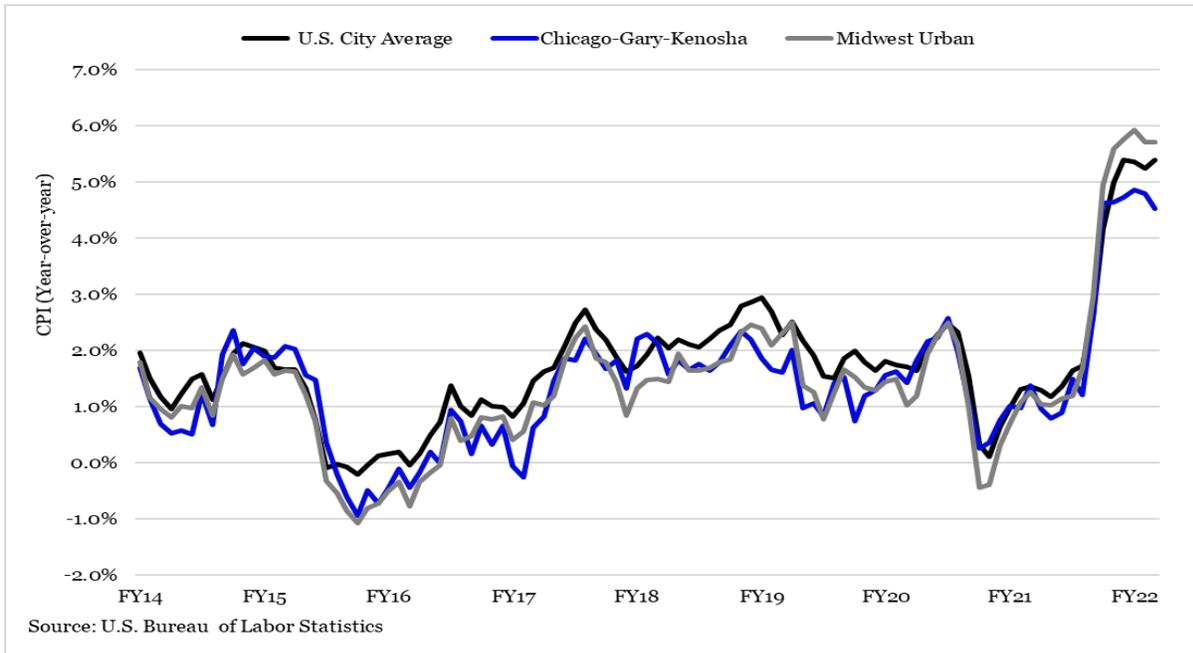
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

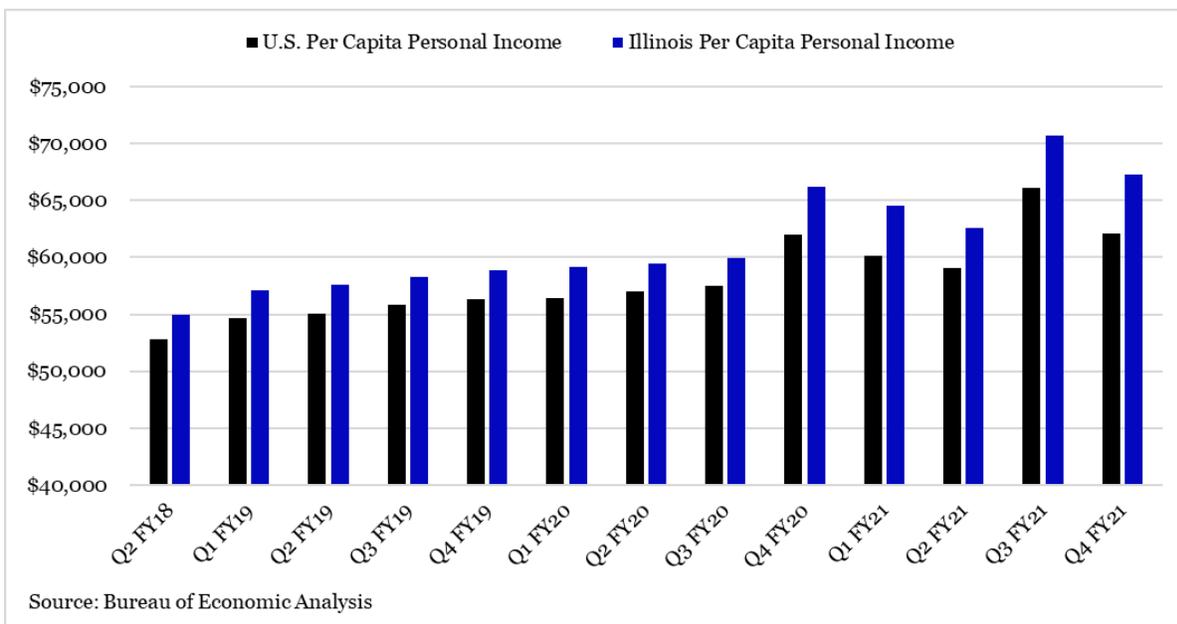
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY14 to September FY22. In September FY22, the U.S. city average CPI increased 5.4% year-over-year. The CPI for Chicago metropolitan area increased 4.5% and the CPI for Midwest region increased 5.7%.



The graph below compares the per capita personal income between the U.S. and Illinois from the second quarter of FY18 to the fourth quarter of FY21. The U.S. per capita personal income decreased \$3,941 or 6.0% from \$66,062 in the third quarter of FY21 to \$62,121 in the fourth quarter of FY21. Year-over-year, U.S. per capita personal income increased \$110 or 0.2%. In Illinois, per capita personal income decreased by \$3,429 or 4.9% from \$70,672 in the third quarter of FY21 to \$67,243 in the fourth quarter of FY21. Year-over-year, Illinois per capita personal income increased \$1,019 or 1.5%. Since Q3 FY21, diminishing Federal stimulus payments account for a majority of declines in income.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in August of FY22 was 5.2%, down from 8.4% during the same period last fiscal year. Illinois' unemployment rate of 6.8% in August of FY22 reflected a decrease of 4.2 percentage points from the state's unemployment rate of 11.0% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 235,700 year-over-year in August, led by increases in retail trade and leisure and hospitality sector.

EMPLOYMENT HIGHLIGHTS State and National Review

EMPLOYMENT STATISTICS	<u>June FY21</u>	<u>June FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,435,000	5,758,700	323,700
Unemployment Rate, Illinois	14.4%	7.9%	(6.5)
Unemployment Rate, United States	11.1%	5.9%	(5.2)
Labor Force Participation Rate, Illinois	64.5%	63.6%	(0.9)
Labor Force Participation Rate, United States	61.4%	61.6%	0.2

EMPLOYMENT STATISTICS	<u>July FY21</u>	<u>July FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,563,000	5,796,800	233,800
Unemployment Rate, Illinois	12.4%	7.0%	(5.4)
Unemployment Rate, United States	10.2%	5.4%	(4.8)
Labor Force Participation Rate, Illinois	62.6%	63.8%	1.2
Labor Force Participation Rate, United States	61.5%	61.7%	0.2

EMPLOYMENT STATISTICS	<u>August FY21</u>	<u>August FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,563,600	5,799,300	235,700
Unemployment Rate, Illinois	11.0%	6.8%	(4.2)
Unemployment Rate, United States	8.4%	5.2%	(3.2)
Labor Force Participation Rate, Illinois	63.1%	63.0%	(0.1)
Labor Force Participation Rate, United States	61.7%	61.7%	0.0

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

The Illinois housing market continues an upward trend up with faster home sales and higher median prices in September. The time it took to sell a home in September averaged 25 days, down from 45 days last year. Available inventory totaled 43,0255 homes for sale. The statewide median price was up 6.0% from last year.